

Message Text

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ACTION EUR-25

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SCI-06 SP-03 SS-20 STR-08 TRSE-00 FRB-03 XMB-07

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FM AMEMBASSY THE HAGUE

TO SECSTATE WASHDC 4438

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

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E.O. 11652: N/A

TAGS: ECON, NL

SUBJECT: MACRO-ECONOMIC OUTLOOK FOR THE NETHERLANDS, 1975

1. SUMMARY: CENTRAL PLANNING BUREAU PROJECTIONS FOR DUTCH ECONOMY IN 1975 FORESEE STRONG EXTERNAL POSITION, INCREASED VOLUME OF INDUSTRIAL PRODUCTION, LESS INFLATION BUT HIGHER UNEMPLOYMENT. END SUMMARY.

2. ACCORDING TO MACROECONOMIC OUTLOOK STUDY WHICH POSTULATES
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ASSUMPTIONS ON WHICH GON BUDGET BILL FOR 1975 IS BASED, VOLUME

OF PRIVATE SECTOR PRODUCTION WILL INCREASE BY 4 PERCENT UNDER STIMULUS OF INCREASED FOREIGN AND DOMESTIC DEMAND. EXPANSION WILL BE CONCENTRATED LESS IN THE EXPORT SECTOR THAN IN 1974. MANUFACTURING INDUSTRIES WILL DEVELOP MORE SLOWLY BUT CONSTRUCTION INDUSTRY AND SMALL AND MEDIUM SIZE BUSINESSES CAN EXPECT BETTER GROWTH THAN IN 1974. REAL GNP WILL INCREASE BY 3.5 PERCENT AS A RESULT OF INCREASED DOMESTIC DEMAND.

3. TOTAL GROSS INVESTMENTS IN ASSETS WILL INCREASE BY 7 PERCENT AGAINST A DECREASE OF 4 PERCENT IN 1974. GOVERNMENT INVESTMENT WILL INCREASE STRONGLY BY 9 PERCENT (ZERO IN 1974). INVESTMENT IN THE BUILDING SECTOR WILL INCREASE 1.5 PERCENT BY VOLUME AS COMPARED TO A DECREASE OF 13 PERCENT IN 1974. INVESTMENT IN FIXED ASSETS BY THE PRIVATE SECTOR WILL INCREASE BY 6 PERCENT (AGAINST 2.5 PERCENT IN 1974) INFLUENCED BY A SHORTAGE OF CAPACITY AND FAVORABLE PROFIT DEVELOPMENTS IN THE EXPORT SECTOR, AND BY NORTH SEA GAS AND OIL OPERATIONS.

4. PRICE INCREASES IN 1975 ARE EXPECTED TO MODERATE, PROVIDED NOMINAL WAGES DO NOT SURPASS THE 13 PERCENT SET AS A WORKING HYPOTHESIS. PRICES FOR TOTAL CONSUMPTION WILL INCREASE BY 9.5 PERCENT (10.5 PERCENT IN 1974), WHILE CONSUMER PRICES ARE EXPECTED TO CLIMB BY 8.5 PERCENT (9.5 PERCENT THIS YEAR). WITH THE EXPECTED WAGE INCREASE OF 13 PERCENT, REAL DISPOSABLE INCOME OF THE AVERAGE WORKER WILL INCREASE BY 2.5 PERCENT TO 3 PERCENT, INCLUDING FRINGE BENEFITS. MAINTENANCE OF SOCIAL INSURANCE RATES AT THE 1974 LEVEL AND PROPOSED TAX RELIEF FOR THE LOWER INCOME GROUPS (SEE THE HAGUE'S 4606) CONTRIBUTE TO THIS IMPROVEMENT.

5. IN 1974 TERMS OF TRADE DETERIORATED, BUT BALANCE OF PAYMENTS NEVERTHELESS SHOWED RECORD SURPLUS OF 3 BILLION GUILDERS. AS RESULT OF EXPECTED IMPROVEMENT OF TERMS OF TRADE BY 2 TO 3 PERCENT, BALANCE OF PAYMENTS IN 1975 IS EXPECTED TO SHOW UNCLASSIFIED

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SURPLUS OF 4.25 BILLION BUILDERS.

6. UNEMPLOYMENT IN 1975 WILL INCREASE TO A YEARLY AVERAGE OF 155,000 AGAINST 140,000 THIS YEAR BUT WITH DECLINING TENDENCY IN LATTER PART OF 1975. ANALYSIS OF UNEMPLOYMENT IN THE NETHERLANDS DISCLOSES THAT IT IS MAINLY STRUCTURAL IN CHARACTER. GOULD

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